



I. Regulation

Meeting with MD & CEOs of Public and Private Sector Banks

Shri Shaktikanta Das, Governor, RBI held a meeting on July 3, 2024 with the MD & CEOs of Public Sector Banks and select Private Sector Banks in Mumbai. These interactions were part of the Reserve Bank's continuous engagement with the Senior Management of Regulated Entities. The meetings were also attended by Deputy Governors, Shri M. Rajeshwar Rao and Shri Swaminathan J., along with Executive Directors-in-Charge of Regulation and Supervision functions. The previous such meeting was held on February 14, 2024.

Governor, in his introductory remarks, noted the continued improvement in banks' asset quality, loan provisioning, capital adequacy and profitability. While acknowledging the higher resilience and strength of the banking sector, he highlighted the importance of further strengthening the governance standards, risk management practices and compliance culture in banks. He also emphasised the need for banks to ensure robust cybersecurity controls and effectively manage third-party risks. He urged them to step up efforts against 'mule accounts' and intensify customer awareness and education initiatives, among other measures, to curb digital frauds.

The issues relating to Persisting Gap between Credit and Deposit growth, Liquidity Risk Management and ALM-related issues, Trends in Unsecured Retail lending, Cybersecurity, third-party risks and digital frauds, Strengthening of Assurance functions, Credit flows to MSMEs, Increasing the usage of Indian Rupee for cross-border transactions and banks participation in innovation initiatives of the Reserve Bank were discussed in the meeting.

Conference of Statutory Auditors and CFOs of Commercial Banks and All India Financial Institutions

The Reserve Bank on July 9, 2024 held a Conference for the Statutory Auditors and Chief Financial Officers (CFOs) of Commercial Banks and All India Financial Institutions in Mumbai. The Conference was a part of the series of supervisory engagements that the Reserve Bank has proactively been having with key stakeholders. The theme of the Conference was 'Shared Vision, Shared Responsibility: Advancing Assurance in Banking Supervision'. The Conference was attended by over 300 participants.

Deputy Governors of Reserve Bank Shri M. Rajeshwar Rao and Shri Swaminathan J; Shri Ajay Bhushan Prasad Pandey, Chairperson, National Financial Reporting Authority (NFRA); and Shri Ranjeet Kumar Agarwal, President, The Institute of Chartered Accountants of India (ICAI) addressed the participants. Executive Directors in-charge of the Regulatory and Supervisory functions of the Reserve Bank also participated in the Conference. Deputy Governor Shri Rao in his keynote address highlighted the emerging challenges and Reserve Bank's expectations from the Statutory Auditors, more specifically the role of Auditors in the principle-based regulatory regime and in the disclosure framework. Deputy Governor Shri Swaminathan in his address acknowledged the key role of Statutory Auditors and CFOs in ensuring the integrity of the financial statements. To read more, please click [here](#).

Master Directions on Fraud Risk Management in the Regulated Entities

The Reserve Bank on July 15, 2024 issued three revised Master Directions on Fraud Risk Management for the Regulated Entities viz. (i) Commercial Banks (including Regional Rural Banks) and All India Financial Institutions; (ii) Cooperative Banks (Urban Cooperative Banks / State Cooperative Banks / Central Cooperative Banks); and (iii) Non-Banking Finance Companies (including Housing Finance Companies). These Master Directions have been prepared based on a comprehensive review of the earlier Master Directions, Circular and emerging issues. These Master Directions are

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Note from the Editor

Welcome to this edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of Reserve Bank of India helps keep abreast with new developments and important policy initiatives taken by the Bank during the month of July 2024 in the areas of money and credit. MCIR can be accessed at <https://mcir.rbi.org.in> as well as by scanning the QR code.

Through this communication tool, we endeavor to share information, impart knowledge and to stay in touch, ensuring factual accuracy and consistency in disseminating the information.

We welcome your feedback at mcir@rbi.org.in

Puneet Pancholy
Editor

principle-based and strengthen the role of the Board in overall governance and oversight of fraud risk management in the Regulated Entities (REs). These Directions also emphasise the need for instituting robust internal audit and controls framework in the REs. To read more, please click [here](#).

Certificate of Registration

The Reserve Bank on July 2, 2024 informed the cancellation of Certificate of Registration (CoR) of nine Non-Banking Financial Companies (NBFC). The RBI, in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has therefore cancelled their CoR. To read more, please click [here](#).

The Reserve Bank on July 24, 2024 informed the cancellation of Certificate of Registration (CoR) of eight Non-Banking Financial Companies (NBFC). The RBI, in exercise of powers conferred on it under Section 45-IA (6) of the Reserve Bank of India Act, 1934, has therefore cancelled their CoR. To read more, please click [here](#).

Basel III Capital Regulations - Eligible Credit Rating Agencies (ECAI)

The Reserve Bank on July 10, 2024 permitted all the Scheduled Commercial Banks (including Small Finance Banks) to use Brickwork Ratings India Private Limited (CRA) for risk weighting their claims under Basel III Capital Regulations, subject to specific conditions. Fresh ratings for bank loans may be obtained from the CRA, provided the loan amount does not exceed Rs.250 crore. For existing ratings, the CRA can perform rating surveillance for loans of any amount until their residual tenure, but for working capital facilities over Rs.250 crore, surveillance is limited to the next facility renewal. All other provisions regarding external credit ratings remain unchanged as per the Master Circular DOR.CAP.REC.4/21.06.201/2024-25. To read more, please click [here](#).

Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR)

The Reserve Bank on July 25, 2024 released the draft circular on ‘Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of Haircuts on High Quality Liquid Assets (HQLA) and Run-off Rates on Certain Categories of Deposits’. Comments on the draft circular are invited from banks and other stakeholders by August 31, 2024. To read more, please click [here](#).

Prompt Corrective Action (PCA) Framework for Primary (Urban) Co-operative Banks

The Reserve Bank on July 26, 2024 introduced a Prompt Corrective Action (PCA) Framework for Primary (Urban) Co-operative Banks (UCBs), effective from April 1, 2025 replacing the previous Supervisory Action Framework (SAF). This new PCA framework aligns with those for Scheduled Commercial Banks and Non-Banking Financial Companies, emphasizing proportionality and flexibility in supervision. It features fewer parameters than the SAF, focusing on entity-specific supervisory plans without a fixed capital expenditure limit.

The framework applies to UCBs in Tier 2, Tier 3 and Tier 4, excluding Tier 1 UCBs, which will continue under existing enhanced monitoring. The revised approach aims to enhance oversight for larger UCBs by optimizing supervisory resources. To read more, please click [here](#).

Master Direction on Treatment of Wilful Defaulters and Large Defaulters

The Reserve Bank on July 30, 2024 released Master Directions on handling wilful defaulters and large defaulters, aiming to establish a clear and impartial process based on principles of natural justice for designating a borrower as a wilful defaulter. These guidelines outline the procedures for identifying and classifying wilful defaulters, reviewing accounts to detect wilful default and implementing penalties and other measures against such defaulters. To read more, please click [here](#).

Guidelines on treatment of Dividend Equalisation Fund - Primary UCBs

The Reserve Bank on July 30, 2024 issued guidelines allowing Primary (Urban) Co-operative Banks (UCBs) to transfer balances from the Dividend Equalisation Fund (DEF) to general or free reserves as a one-time measure, to enhance regulatory capital treatment. This adjustment aligns with existing rules that restrict dividend payments to net profits and excludes accumulated profits or reserves. Balances transferred to general reserves will qualify as Tier-I capital. UCBs must disclose these transfers in their financial statements as per RBI guidelines and comply with relevant co-operative laws and regulations. This directive is effective immediately for all UCBs. To read more, please click [here](#).

II. Fintech

HaRBInger 2024 – Extension of timeline for submission of applications

The Reserve Bank had launched its third global hackathon – ‘HaRBInger 2024 – Innovation for Transformation’ with two themes of ‘Zero Financial Frauds’ and ‘Being Divyang Friendly’ which was communicated vide Press Release dated June 7, 2024. Keeping in view the requests received, the Reserve Bank has decided to extend the timeline for registration and submission of applications up to July 31, 2024. To read more, please click [here](#).

Regulatory Sandbox

In the Fifth Cohort of the Regulatory Sandbox on neutral theme. The Reserve Bank received twenty-two applications of which five have been selected for the ‘Test Phase’. The entities, as per details below, shall commence testing of their solutions from August 2024: i) Connectingdot Consultancy Private Limited ii) Epifi Technologies Private Limited iii) Finagg Technologies Private Limited iv) Indian Banks’ Digital Infrastructure Company (IBDIC) Private Limited and v) Signzy Technologies Private Limited.

III. Payment and Settlement Systems

Project Nexus

The Reserve Bank on July 1, 2024 joined Project Nexus, a multilateral initiative led by the Bank for International Settlements (BIS) to enable instant cross-border retail payments by linking domestic Fast Payment Systems (FPSs). Nexus aims to connect the FPSs of India and four ASEAN countries—Malaysia, Philippines, Singapore and Thailand—facilitating efficient, fast and cost-effective Person to Person (P2P) and Person to Merchant (P2M) payments. An agreement was signed by the BIS and the central banks of these founding countries on June 30, 2024, in Basel, Switzerland. With potential for future expansion, Nexus is expected to be operational by 2026. To read more, please click [here](#).

Domestic Money Transfer

The Reserve Bank on July 24, 2024 reviewed the Domestic Money Transfer (DMT) framework established in 2011. Key changes include requiring remitting banks to record the beneficiary's name and address for cash pay-out services and to verify the remitter's cell phone number and 'Officially Valid Document' for cash pay-in services. Additionally, each remitter transaction must be validated by an Additional Factor of Authentication and remitting banks must comply with Income Tax regulations and include remitter details and a cash-based remittance identifier in IMPS/NEFT transactions. Card-to-Card transfers will now fall outside the DMT framework and adhere to separate guidelines. All other existing instructions, including transaction limits, remain unchanged. This circular is issued under Section 18 read with Section 10 (2) of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall come into effect from November 01, 2024. To read more, please click [here](#).

Master Directions on Cyber Resilience and Digital Payment Security Controls for non-bank PSO

The Reserve Bank on July 30, 2024 issued new Directions on Cyber Resilience and Payment Security Controls for Payment System Operators (PSOs). As announced in the Statement on Developmental and Regulatory Policies on April 8, 2022, these Directions are designed to ensure that authorised non-bank PSOs can effectively manage both existing and emerging information systems and cybersecurity risks. They are intended to ensure that PSOs maintain secure and resilient digital payment systems, adapting to evolving security challenges. To read more, please click [here](#).

Draft Framework on Alternative Authentication Mechanisms for Digital Payment Transactions

The Reserve Bank on July 31, 2024 released a draft "Framework on Alternative Authentication Mechanisms for Digital Payment Transactions" to expand authentication options beyond SMS-based OTP, which has been the primary Additional Factor of Authentication (AFA). This initiative, announced on February 08, 2024, aims to leverage technological advancements and provide Payment System Operators and users with a

wider choice of authentication factors. Comments and feedback on the draft framework can be submitted by email or post to the Chief General Manager-in-Charge, Department of Payment and Settlement Systems, RBI, Mumbai, by September 15, 2024. To read more, please click [here](#).

Aadhaar Enabled Payment System (AePS) – Due Diligence of Touchpoint Operators – Draft Directions

The Reserve Bank on July 31, 2024 announced draft directions on the Due Diligence of AePS Touchpoint Operators. To enhance the robustness of the Aadhaar Enabled Payment System (AePS) and address recent frauds due to identity theft and compromised credentials, the Reserve Bank of India (RBI) announced on February 08, 2024, that the onboarding process for AePS Touchpoint Operators will be streamlined. This measure aims to protect bank customers from frauds and maintain trust in the system's safety and security. Comments and feedback on these draft directions can be submitted by email or post to the Chief General Manager-in-Charge, Department of Payment and Settlement Systems, RBI, Central Office, Mumbai, by August 31, 2024. To read more, please click [here](#).

IV. DSIM

Measuring Productivity at the Industry Level-The India KLEMS Database

The Reserve Bank on July 8, 2024 placed on its website an update on "Measuring Productivity at the Industry Level-The India KLEMS [Capital (K), Labour (L), Energy (E), Material (M) and Services (S)] Database" comprising the Data Manual 2024 and time-series data on productivity for 27 industries. To read more, please click [here](#).

V. Foreign Exchange

Regulation of Foreign Trade under FEMA, 1999 – Draft Regulations & Directions

The Reserve Bank on July 2, 2024 issued draft regulations under FEMA and directions to Authorised Dealer banks. Over the years, the Reserve Bank has been progressively liberalising policies governing foreign exchange transactions, under FEMA, 1999. In continuation of these efforts, as announced in the Statement on Developmental and Regulatory Policies of June 2024, the Reserve Bank has decided to rationalise regulations that cover export and import transactions. The proposed regulations are intended to promote ease of doing business, especially for small exporters and importers. They are also intended to empower Authorised Dealer banks to provide quicker and more efficient service to their foreign exchange customers. Comments/feedback on the draft proposals (regulations as well as directions) may be forwarded via email by September 01, 2024, with the subject line "Feedback on draft regulations and directions on export and import under FEMA". To read more, please click [here](#).

Remittances to International Financial Services Centres (IFSCs) under the LRS

The Reserve Bank on July 10, 2024 reviewed the circular regarding the remittances under LRS to IFSCs. Following a review, it has now been decided that remittances under LRS to IFSCs can also cover availing financial services or products within IFSCs and conducting current or capital account transactions through an FCA in IFSCs for foreign jurisdictions. Previously, remittances under LRS to IFSCs were restricted to investments in IFSC securities (excluding those from entities in India outside IFSC) and education fees for courses listed in gazette notification no. SO 2374(E) (May 23, 2022). The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law. To read more, please click [here](#).

VI. Issuer of Currency

Withdrawal of ₹2000 denomination Banknotes

The Reserve Bank on August 1, 2024 released the status of withdrawal of ₹2000 denomination banknotes. As per the data, the total value of ₹2000 banknotes in circulation declined to ₹7409 crore at the close of business on July 31, 2024. Thus, 97.92 percent of the ₹2000 banknotes in circulation as on May 19, 2023 has since been returned. To read more, please click [here](#).

VII. Index

Financial Inclusion Index

The Reserve Bank on July 9, 2024 released the FI-Index for the year ending March 2024. The value of the Index for March 2024 stands at 64.2 vis-à-vis 60.1 in March 2023, with growth witnessed across all sub-indices. Improvement in FI-Index is mainly contributed by Usage dimension, reflecting deepening of financial inclusion. To read more, please click [here](#).

Digital Payment Index

The Reserve Bank on July 26, 2024 published the Reserve Bank of India – Digital Payment Index (RBI-DPI) for the year ending March 2024. The index for March 2024 stands at 445.50 as against 418.77 for September 2023. The RBI-DPI index has increased across all parameters driven by significant growth in payment performance and payment infrastructure across the country over the period. To read more, please click [here](#).

VIII. Supervision

Monetary Penalty

The Reserve Bank on July 16, 2024 imposed monetary penalties on Manappuram Finance Limited (₹41.50 lakh) and Ola Financial Services Pvt. Ltd. (₹33.40 lakh) for non-compliance with KYC provisions. Additionally, compounding orders were issued to Ola Financial Services Pvt. Ltd. (₹54.15 lakh) and Visa Worldwide Pte. Limited (₹240.75 lakh) on July 5, 2024 and July 16,

2024 respectively for contraventions related to Prepaid Payment Instruments and Card Not Present transactions. To read more, please click [here](#).

IX. Publications

RBI Bulletin

The Reserve Bank on July 18, 2024 released the July 2024 issue of its monthly Bulletin. The Bulletin includes six speeches, five articles and current statistics. The five articles are:

- (i) State of the Economy
- (ii) Updating Estimates of the Natural Rate of Interest for India with Post-Pandemic Evidence
- (iii) Estimating the Financial Wealth of Indian Households;
- (iv) Measuring the Contribution of Labour Composition in Gross Value Added in India – The Human Capital Approach
- (v) Fiscal Performance of Himalayan States/ Union Territories. To read more, please click [here](#).

Report on Currency and Finance

The Reserve Bank on July 29, 2024 released the Report on Currency and Finance (RCF) for the year 2023-24. The theme of the Report is "India's Digital Revolution". The Report reflects the views of the contributors and not of the Reserve Bank. Highlights of the report: India is leading the global digital revolution through its robust digital public infrastructure, thriving FinTech ecosystem and favorable policy environment, establishing itself as the fastest-growing digital economy. The country's digital advancements are enhancing financial inclusion, facilitating fiscal transfers and boosting cross-border trade and remittances. Balancing financial stability, customer protection and innovation remains a crucial policy challenge. To read more, please click [here](#).

X. Data Release

Important data released by the Reserve Bank during the month of July 2024 are as follows:

S/N	Title
1	Scheduled Banks' Statement of Position in India as on Friday, July 12, 2024
2	Money Supply for the fortnight ended July 12, 2024
3	Overseas Direct Investment for June 2024
4	Lending and Deposit Rates of Scheduled Commercial Banks – July 2024
5	Monthly Data on India's International Trade in Services for the Month of June 2024
6	Data on India's Invisibles for Fourth Quarter (January - March) 2023-24
7	Sectoral Deployment of Bank Credit – June 2024